

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 /062 W
-----016712 090111Z /65

R 081750Z SEP 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 1724
INFO ALL EC CAPITALS
AMEMBASSY PARIS
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: EC POSITION ON INTERNATIONAL SUGAR AGREEMENT

REF: (A) EC BRUSSELS 11237, (B) EC BRUSSELS 3680,
(C) EC BRUSSELS 2264

1. EATON (DG VI, INTERNATIONAL AGREEMENTS RELATING TO
AGRICULTURE) HAS TOLD US THAT THE COMMISSION HAS NOW
SUBMITTED A PROPOSAL TO CHANGE ITS MANDATE FOR THE
NEGOTIATION OF AN INTERNATIONAL SUGAR AGREEMENT. EATON
SAID THAT THE CURRENT MANDATE WOULD ONLY PERMIT THE
COMMUNITY TO PARTICIPATE IN AN AGREEMENT BASED ON
STOCKS AND MINIMUM AND MAXIMUM PRICES. THE COMMISSION'S
PROPOSAL TO CHANGE THAT MANDATE WOULD PERMIT EC PARTICI-
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PATION IN A MIXED AGREEMENT (WHICH WOULD INCLUDE EXPORT
QUOTAS, STOCKS AND MINIMUM/MAXIMUM PRICES) AND ENABLE
THE COMMUNITY TO UNDERTAKE CERTAIN COMMITMENTS, WHICH
WOULD OPERATE PARALLEL TO THE EXPORT QUOTA SYSTEM, TO
AID IN STABILIZING THE WORLD MARKET. EATON SAID THAT
IN ESSENCE THE REVISED MANDATE SOUGHT BY THE COMMISSION
WAS SIMILAR TO THAT PROPOSED IN MARCH AND REJECTED BY

THE COUNCIL (REFS. B AND C).

2. EATON SAID THAT HE HOPED THAT THE REVISED MANDATE WOULD NOT BE TOO SPECIFIC. HE ENVISIONS A MANDATE WHICH WOULD PERMIT THE COMMUNITY TO PARTICIPATE IN AN INTERNATIONAL AGREEMENT ALONG THE FOLLOWING LINES. THE COMMUNITY WOULD PARTICIPATE IN THE HOLDING OF THE BASIC RESERVE STOCKS ON AN EQUAL BASIS WITH THE OTHER COUNTRIES--IT WOULD NOT HOLD A DISPROPORTIONATELY LARGE SHARE. EATON MENTIONED THAT THERE WOULD BE A PROBLEM IN FIXING THE COMMUNITY'S SHARE SINCE THE UNITED STATES HAD PROPOSED THAT THE DIVISION OF STOCKS BE BASED ON EXPORT QUOTA COMMITMENTS; HOWEVER, HE REGARDED THIS PROBLEM AS MINOR. THE COMMUNITY WOULD NOT ACCEPT EXPORT QUOTAS BUT WOULD MAKE SOME SORT OF EQUIVALENT COMMITMENT TO TAKE SUGAR OFF THE MARKET BY MEANS OF CAP MECHANISMS. SUGAR TAKEN OFF THE MARKET COULD EITHER GO INTO ADDITIONAL STOCKS OR BE DISPOSED OF, FOR EXAMPLE, BY DENATURING IT FOR FEED USE OR USING IT FOR THE PRODUCTION OF ALCOHOL. WE NOTED THAT THE DIVERSION OF SUGAR INTO FEED COULD FURTHER DEPRESS THE FEED GRAIN MARKET. EATON RECOGNIZED THIS POINT. HOWEVER, HE SAID THAT IF AN ATTEMPT WERE MADE TO RESTRICT THE COMMUNITY'S DISPOSAL OPTIONS, IT MIGHT BE INCLINED TO GIVE UP ON THE NEGOTIATIONS.

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3. EATON SAID THAT THE COMMISSION'S PROPOSAL FOR A REVISED MANDATE WAS NOW BEING CONSIDERED BY A SPECIAL COUNCIL WORKING GROUP. HE WAS HOPEFUL THAT COUNCIL APPROVAL COULD BE OBTAINED THROUGH COREPER USING THE WRITTEN PROCEDURE. HOWEVER, HE SAID THAT APPROVAL WOULD NOT BE GRANTED PRIOR TO THE START OF THE NEGOTIATIONS. COREPER WOULD NOT CONSIDER THE COMMISSION'S PROPOSAL THIS WEEK BUT IT SHOULD BE ON THE AGENDA FOR THE END OF NEXT WEEK. EATON WAS NOT OVERLY OPTIMISTIC ABOUT THE PROSPECTS FOR AN EASY PASSAGE OF THE PROPOSAL THROUGH COREPER.

4. EATON SAID THAT ALTHOUGH THE COMMUNITY WOULD NOT IN EFFECT HAVE A MANDATE FOR NEGOTIATIONS, FOR THE FIRST WEEK OR SO, HE WAS HOPEFUL THAT WORK COULD MOVE AHEAD. IF SUBSTANTIAL PROGRESS COULD BE MADE ON THE AGREEMENT IN THE EARLY STAGES OF THE NEGOTIATIONS, IT WOULD PUT GREATER PRESSURE ON THE EC MEMBER STATES TO ACCEPT THE COMMISSION'S REQUEST FOR A MORE FLEXIBLE MANDATE.

5. EATON SAID THAT PIZZUTI WOULD BE OFFICIALLY HEADING DELEGATION BUT THAT HE (EATON) EXPECTED TO PERFORM AS ACTING HEAD THROUGH MUCH OF THE NEGOTIATIONS. MORRIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, AGREEMENTS, POLICIES, REGIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE11403
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770326-0390
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770988/aaaacvvu.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a47aaa4a-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 11237, 77 EC BRUSSELS 3680, 77 EC BRUSSELS 2264
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1353119
Secure: OPEN
Status: NATIVE
Subject: EC POSITION ON INTERNATIONAL SUGAR AGREEMENT
TAGS: EAGR, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/a47aaa4a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009